

**Assembly  
California Legislature**

**Sam Blakeslee**  
Assembly MEMBER, THIRTY-third District

FOR IMMEDIATE RELEASE  
Contact: Christine Robertson  
September 20, 2006  
(805) 549-3381

## **GOVERNOR SIGNS HISTORIC SEWER BILL**

*Bill Will RESOLVE 30-Year Sewer Conflict On CENTRAL COAST*

SACRAMENTO – Governor Arnold Schwarzenegger today signed AB 2701, a bill authored by Assemblyman Sam Blakeslee (R-San Luis Obispo) to resolve the longstanding Los Osos sewer conflict. The Governor's signature comes after thirty years of aggravated gridlock and alleged violations of state law, dividing the small bayside community. AB 2701 authorizes a transfer of authority for the controversial sewer project from the Los Osos Community Services District to the County of San Luis Obispo. County officials will immediately begin preliminary work to develop project options and secure funding authorization from Los Osos property owners. The Community Service District would resume authority over wastewater services after emerging from bankruptcy and after county completion of a sewer project.

"The current septic tank discharges from Los Osos pose serious environmental and public health concerns and the Los Osos Community Services District has failed in its responsibility to construct a wastewater collection and treatment system to protect water quality and public health," wrote Governor Schwarzenegger in his signing message. "The transfer of the responsibility for constructing the plant from the Los Osos Community Services District to the County is the only viable solution to addressing this problem."

A recall election in the Fall of 2005 installed a new majority on the Los Osos Community Services District (LOCSO) Board. The new board immediately suspended work on the downtown sewer project which unleashed a torrent of legal actions. The State Water Resources Control Board sued the District for defaulting on a \$135 million low-interest State Revolving Fund loan, the first such default in nationwide history. The District was fined \$6.6 million by the Regional Water Quality Control Board (RWQCB) for illegal discharges in violation of the basin plan prohibition and a longstanding Time Schedule Order (TSO) to construct a sewer. The three project contractors filed breach-of-contract claims that could reach as much as \$30 million. The District subsequently filed for federal bankruptcy protection in late August of this year.

"The newly signed law is an important step forward for solving the ground water problems of Los Osos and protecting Morro Bay and the waters of the Pacific," said State Water Resources Control Board Chair Tam M. Doduc. "We look forward to working with Assemblyman

Blakeslee and the residents of Los Osos to make sure the community is able to protect its health and environment. The safety of the people and the quality of California's water has always been our top priority."

Blakeslee's bill provides Los Osos residents a third option to either the status quo or dissolution of the District. With the Services District hamstrung by compounding liabilities and legal challenges, the status quo threatens a potential decade of added delays and project cost escalation, additional fines by the RWQCB for ongoing violation of the District's TSO, further degradation to the aquifer due to nitrate loading, increases in bacterial pollutants, and salt-water intrusion. District residents would face aggressive compliance mandates issued by the RWQCB, and threats of potential individual fines, but lack means of compliance until such time as the District regained sufficient financial, legal and political capacity to successfully complete a project.

A petition to dissolve the beleaguered District is currently pending before the San Luis Obispo Local Agency Formation Commission (LAFCo). If the dissolution petition were approved, San Luis Obispo countywide taxpayers would inherit all of the District's liabilities and could be subject to fines under the District's current TSO. The County has indicated that dissolution of the District would trigger years of protracted litigation and severely limit discussion of project alternatives. LAFCo staff has recommended against dissolution and are supporting Blakeslee's special legislation.

"This is a community that was on a collision course with disaster," said Blakeslee. "Without a new approach, everyone stood to lose. I commend the County, the State Water Board, the Regional Water Quality Board, and key leaders in Los Osos who worked with our office to craft a viable solution."

By authoring AB 2701, Blakeslee sought to untangle many of the complex legal, financial, regulatory and political obstacles, and develop a compromise solution that incorporates key stakeholder priorities. The bill creates a direct partnership between the County of San Luis Obispo and Los Osos property owners for the construction of a community wastewater project, preserving local control while protecting countywide taxpayers from bearing any of the costs incurred by the Community Services District. Under the specific provisions of the bill, Los Osos property owners must first approve a Proposition 218 assessment before the County can assume any responsibility for the design and construction of a project.

"The County was a natural partner in this effort," said Blakeslee. "They have a steady track record of competence and excellence in large and complex public works project." Blakeslee pointed to the County's recent award for "Outstanding Government Civil Engineering Project" as an example of their past performance. The Los Angeles Section of the American Society of Civil Engineers noted the Lopez Dam Seismic Remediation Project's unique technical achievements and highlighted the county's ability to overcome challenges.

The Governor's signature comes almost exactly one year after Blakeslee first intervened in the aftermath of last year's recall and the suspension of work on the sewer project which had already secured all the required funding, permits, designs, and contracts. Negotiations mediated in 2005

by Blakeslee resulted in two compromise proposals, one offered by the LOCSD and the second offered by the SWRCB. Each party ultimately rejected the other's offer, which precipitated the financial collapse of the district and the need for special legislation to resolve the crisis.